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EXECUTIVE OFFICE OF THE PRESIDENT  
NATIONAL SECURITY RESOURCES BOARD  
Board Secretariat

SUBJECT: Mobilization Planning for Foreign Economic  
Measures -- Export Controls

CONTENTS: One of a series of monographs designed to serve  
as a general guide for Executive Branch agencies  
in their participation in mobilization planning for  
foreign economic measures.

COMMENTS: This monograph was prepared by the NSRB staff  
on the basis of a report to the NSRB by an inter-  
agency study group and subsequent interagency  
consultations.

Acceptance of the monograph was requested of the  
heads of Executive Branch agencies concerned by  
the Acting Chairman of the NSRB in a letter dated  
August 8, 1949. Letters of acceptance are on file  
with the NSRB Foreign Activities Office, as follows:

Interior	August 15, 1949
Commerce	August 22, 1949
Agriculture	August 26, 1949
State	August 31, 1949
Treasury	September 1, 1949
Defense	September 8, 1949

ACTION: Circulated for guidance in mobilization planning  
activities. It is planned to revise the monograph  
from time to time as new developments, changes  
in basic assumptions, further information, and  
the extension of planning to longer-range coverage  
make this desirable.

REFERENCE: The attached monograph is the same as the one  
transmitted as NSRB Doc. 118/3 dated August 1,  
1949, except for a slight revision of the Foreword  
(p. i) to bring it into conformity with the present  
status of the paper.

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MOBILIZATION PLANNING  
FOREIGN ECONOMIC MEASURES

Export Controls

National Security Resources Board

August 1, 1949

(FE-4a)

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This is one of a series of memoranda being developed under the leadership of the National Security Resources Board in the interests of effective and coordinated mobilization planning for foreign economic measures to be undertaken in the event of a relatively early outbreak of war or a declared emergency.

In the preparation of this memorandum on Export Controls, NSRB has relied extensively (and often verbatim) on a recent report to the NSRB by an interagency study group\* and subsequent interagency consultation.

This paper now constitutes a general guide to all Executive agencies in their participation in mobilization planning. It is planned to revise the memorandum from time to time as new developments, changes in basic assumptions, further information, and the extension of planning to longer-range coverage make this desirable.

\* Report of the Interagency Mobilization Planning Committee on Export Controls, March 31, 1949; 71 pp. and appendices; SECRET. The report will be helpful to those interested in a more detailed discussion of export controls, variations of the report from this memorandum, and an account of World War II operations and experience.

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EXPORT CONTROLS

- I. Definition and Description.
- II. Current Programs and Objectives.
- III. Wartime Authorization, Objectives and Potential Use.
  - 1. Authorization and Agency Responsibilities.
  - 2. Objectives and Potential Use.
- IV. Recommendations -
  - 1. Readiness Measures.
  - 2. Wartime Measures.

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Export control is a regulatory procedure affecting the movement of goods and technical data to other nations whereby such goods and data are denied clearance, limited in quantities or directed preferentially.

In contrast with the historic concept of export control as a simple blockade measure, its use has been extended to accomplish a number of broad objectives. These objectives may be of a constructive character when directed toward conserving or increasing the economic and war potential of the U. S. and friendly nations, or they may be of a destructive character when directed toward limiting the economic and war potential of unfriendly nations.

Supplemented when necessary by export priorities, set-asides, voluntary agreements, and other arrangements, export control can be used to implement foreign assistance and foreign procurement programs, to deny essential or strategic commodities to unfriendly countries, to protect the domestic economy against an aggravation of short-supply situations, and in general to support national foreign policy. Its use must be coordinated with other economic controls in order to achieve greatest effectiveness or in order to increase the effectiveness of related measures.

Export controls are administered through the licensing technique. The usual pattern of operation resembles the following: the prospective exporter of controlled items must submit an export application, giving full details of the goods, including destination, ultimate consignee, end-use, and other relevant matters. The application is checked against criteria established for over-all quotas, country quotas, strategic commodity limitations, end-use, destination, and consignee. If adequate in all aspects, a validated license may then be issued. Special security or debatable cases may be sent to interagency committees or higher authority for final decision. Enforcement regulations are imposed to make certain that commodities are as described in export applications and that applicants comply fully with other export regulations.

II. Current Programs and Objectives

A brief review of the current limited application of export controls will be helpful in evaluating the usefulness of such controls in case of war.

1. The Export Control Act of 1949 (Public Law 11, 81st Congress) restates and renews the powers to control exports set forth in the Second

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Decontrol Act controlling exports with national security significance. In brief, the policy declaration establishes three bases on which exports shall be controlled: to protect the domestic economy from excessive and inflationary drain of scarce materials, to exercise vigilance over exports of security items, and to further the foreign policy of the U. S. The Act provides for continuation of the authority now delegated to the Secretary of Commerce, for carrying out the policies. In accordance with Section 4(a) of the Act, the operation is administered with the advice of interested agencies.

Export controls over munitions, atomic energy items, and narcotics are the present responsibility of the Department of State, Atomic Energy Commission and Treasury Department respectively.\* While the export control study group considered the possibility of consolidating these activities with other export controls, it came to the conclusion that there may be reasonable justification for maintaining some measure of decentralization. It recommended, however, that both policy-making and operational functions of export control remain at least as centralized as at present.

2. The present controls (excluding munitions, atomic energy items, and narcotics) are modifications of wartime controls, originally intended for short-term use on a descending scale in the postwar period for the protection of the domestic economy from the inroads of the pent-up and excessive demands of foreign countries. Subsequently, because of the development of the "cold war" with Soviet Russia and its Eastern European satellites, these controls were adapted to include the protection of national security by limiting export to the Soviet Orbit of goods that would contribute markedly to the war potential of that area.

The principal objectives and uses of current export controls have thus become:

a. Protection of domestic economy.

Since the end of the war, the Department of Commerce has been protecting the domestic economy by means of the "Positive List" mechanism against an undue drain on short-supply items inherent in the excessive postwar demands of foreign areas. Although the positive list was originally composed largely of items in short supply in the U. S. for which export licenses were required to all foreign destinations except Canada, a substantial number of security items or combined security-scarcity items have been recently included. In fact the security aspects of the list have come to outweigh the scarcity aspects.

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\* Except as otherwise noted, this memorandum deals with export control other than the special controls with regard to munitions, atomic energy items and narcotics.

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b. Strengthening the economic potential of friendly nations.

Export controls of short-supply items are currently being administered in such a way as to accommodate as far as possible the needs of ERP and other friendly countries. When country quotas are to be established, minimum requirements are submitted to the Department of Commerce by the nations concerned. With few exceptions ECA requests, after careful screening, are honored. Requirements of other friendly countries when supported by the Department of State and other interested agencies are treated generously. Improvement of the economies of these countries has unquestionably been hastened by this supply assistance.

c. Denial of strategic materials to unfriendly nations.

In a "cold war" period, export control is the principal method by which U. S. shipments of strategic commodities can be restricted. Currently it is being used against the Soviet bloc, and items of high significance have been embargoed or greatly restricted. At times security objectives of export control conflict with objectives of foreign economic recovery, particularly in regard to ERP and its relationship to East-West trade in Europe. (This subject is further discussed in another memorandum of this series on Foreign Economic Assistance.) Under present improved supply conditions, it seems probable that in the future export controls for strategic reasons will assume greater relative importance, and should U. S.-Soviet tension increase, wider areas of conflict between recovery and security objectives may be expected.

d. Obtaining the cooperation of other countries in U. S. policy.

In times of peace the use of export controls as an instrument of international bargaining is necessarily limited, particularly in the case of a country like the U. S. which purports to follow a non-discriminatory policy in its commercial relationships.

It should be noted, however, that Section 117(d) of the Economic Cooperation Act of 1948 provides in part that, "The Administrator is directed to refuse delivery insofar as practicable to participating countries of commodities which go into the production of any commodity for delivery to any non-participating European country which commodity would be refused export licenses to those countries by the United States in the interest of national security." This Section has been implemented by bilateral agreements between the United States and participating countries which provide that the commodities and services obtained through the ERP shall be used for purposes consistent with the European Recovery Program and with the purposes outlined in schedules supplied to the U. S. by the participating countries.

Although the chief lever to secure compliance in the case of ERP is the furnishing or refusal of specific assistance, the ability

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of the U. S. to regulate exports to ECA countries is undoubtedly a significant factor in their attitude toward modifying their export controls. Other foreign assistance programs could similarly offer a base for arrangements looking toward denial by foreign countries of exports of certain commodities to unfriendly nations.

Flexibility in the application of export controls has also been a factor of considerable importance in U. S. efforts to support the political and economic independence of Finland and to support the defection of Yugoslavia from Moscow.

e. Depriving unfriendly nations of important technical data.

Censorship of mails does not appear to be feasible under conditions short of war. Since technical data can be sent freely by mail, establishing control of their export through other means of shipment would have little value. Nevertheless the strategic importance of the matter is recognized and cooperation of firms in voluntarily embargoing more important data has been sought, and with some success, and should be continued. It is understood that further studies are being made in the Commerce Department regarding more effective methods of preventing exports of important technical data to unfriendly nations.

f. Increase of essential supply shipments to the U. S. from other countries.

Although governmental pressure must be used discreetly in peacetime, the persuasive use of export controls has been effective in several instances in obtaining increased production and increased shipments to the U. S. of important materials. After reaching an informal understanding with a given country, licensing of short supply items over and above the normal quota in return for imports of important materials has proved an effective arrangement. Manganese from India is a case in point. The use of "project licensing" has also been of benefit whereby total requirements of equipment and supplies are assured for a specific project provided it contributes to and expedites increased production and shipment to the U. S. of strategic materials. However, as the U. S. supply situation eases and items are removed from the Positive List, the area of negotiation in this particular field is constantly narrowing. To maintain our advantage it may be desirable in some cases for bargaining purposes to "open end" the materials coming into improved supply rather than to free these materials for general export. "Open end" is a term to describe only nominal control of an item for which an approved license is required but for which a quota (in a quantitative sense) is not established; it facilitates forecasting of volume of exports and the prompt establishment of more stringent quota control should shipments become unduly large.

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### III. Wartime Authorization, Objectives and Potential Use

In the main, the objectives of export control in time of war do not differ from those in time of uncertain peace; however, in case of hostilities, they would be pursued in a total fashion and both support and be supported by many outright wartime measures. Export control itself, then, would largely serve to implement or carry out specific warfare measures; while it loses pre-eminence, it remains an essential factor in the general operation.

The beginning of wartime operations creates the problem of securing complete export control as quickly as possible without causing a serious stoppage in the flow of materials to allies and friendly neutrals. If individual licenses are required immediately for all exports, serious stoppage appears inevitable until the export control organization is expanded and able to meet a greatly increased workload. A delayed flow of supplies at the beginning of the war would waste valuable shipping, adversely affect allied and friendly neutrals and aggravate the problem of foreign economic assistance in later months.

Accordingly, it appears advisable that at the outset of wartime operations general export licenses be applied across the board except for the most important commodities and areas, which would require individual licenses. The use of individual licenses can then be extended selectively and progressively as circumstances warrant.

#### 1. Authorizations and Functional Interrelationships.

The Export Control Act of 1949 is believed to provide sufficient authority for wartime operations in the export control field, although it is presently limited by its expiration date of June 30, 1951. (Title XII of the current NSRB draft of an "Emergency Powers Act" including export and import controls is broad enough to cover any contingency which may conceivably arise in wartime.)

Effective prosecution of export controls in time of war would require closest coordination with import controls, export priorities, shipping controls, blacklisting and other similar programs. In many cases control of exports through the licensing technique would be used only as a supplement or implementation of other more direct measures which would accomplish the same end. Not only would the export control technique have to be closely coordinated with the operations of other economic warfare measures but the measures themselves would have to be well integrated and coordinated with allied operations for maximum effectiveness.

#### 2. Objectives and Potential Uses.

##### a. Protection of domestic economy.

Major decisions on allocations of domestic production for export would be made by the war agency responsible for determining

relative needs of claimants. Export control would serve to implement these decisions.

b. Strengthening the war potential of allies and the economies of friendly neutrals.

The probable low war potential of our prospective allies in any early war would undoubtedly result in a need for U. S. economic assistance at least as large as in World War II. Again, export control would serve to implement high policy decisions rather than perform by itself a role of direct assistance.

c. Increase in essential foreign production.

The prospective scope of any future war and the vast consumption of materials to be expected would make foreign procurement and development of prime importance. The size of the operation would require the formulation of basic programs and the negotiation of foreign supply agreements. Under these wartime conditions then, export control would be a supporting instrument in carrying out or expediting foreign procurement and development arrangements.

d. Denial of materials to enemy countries and unfriendly neutrals.

Denial of supplies to the enemy is accomplished by various blockade measures of which export control is an important supplementary device. It will, however, be of immediate importance on the outbreak of war because without further action, it permits placing prompt embargo on all shipments scheduled for enemy destinations.

Where unfriendly nations become uncooperative neutrals, denial of strategic materials of possible use to the enemy can be accomplished in the same way.

e. Weakening the economies of enemy countries and unfriendly neutrals through third country trade restrictions.

As a means of placing additional economic pressure on enemies or unfriendly neutrals, other neutrals in a position to trade with them may be induced through an allied threat of embargo or promise of supplies to refrain from shipping the enemy important materials or even to close their markets to the enemy. Advantages to be obtained include limitation of the enemy war potential, depriving him of foreign exchange and restriction of transshipments.

f. Depriving the enemy and unreliable neutrals of important technical data.

In time of war, control of technical data becomes of paramount importance and every available measure would be used to deny such

data to hostile nations. Although voluntary control by most firms is effective, censorship of the mails, examination of persons leaving the country, checking of shipments and control of smuggling must be rigidly enforced to prevent vital information directly or indirectly reaching the enemy. In this operation export licensing provides the grounds for enforcement with respect to commercial shipments.

g. Obtaining political or economic advantage from neutrals.

In dealing with uncooperative neutrals, export control is one of a number of useful measures which can be employed to force concessions such as observing reasonable neutrality, permitting preclusive buying and restricting enemy activities within the country. It may be noted that alternate threat of embargo or promise of supplies achieved some success in case of Spain and other countries in World War II.

h. Enforcement against blacklisted consignees in neutral countries.

While several measures can be employed to restrict or bankrupt individuals or business enterprises in other countries which deal with the enemy, denial of imports through allied export controls is an important factor in limiting the power of commercial houses. As in other economic warfare programs, export control here is a tool which must be coordinated with other measures in order to achieve reasonable success against blacklisted consignees.

IV. Recommendations

Recommendations follow for both readiness measures and wartime actions. For effective export control, the importance is obvious of adequate intelligence on the vulnerabilities of the enemy's economy and on the requirements of allies and neutrals. Recommendations in these fields are reserved for a subsequent memorandum of this series on foreign economic intelligence. Likewise, recommendations with regard to wartime organization of export control are covered in a subsequent memorandum on wartime administrative arrangements for foreign economic programs. ✓

1. Readiness Measures.

a. Legislation.

Current export control legislation appears to provide adequate powers for both present and wartime operations. The extension of those powers will, of course, be necessary before the current expiration date of June 30, 1951.

b. Control of security items.

Consideration is currently being given to the extension of export controls over security items to areas other than Europe. In the

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*esp. in other areas  
development  
appropriate conditions*

event that such control is extended, the adequacy of current procedures for obtaining foreign requirements for use in establishing country quota allocations should be reviewed and such procedures expanded and strengthened as necessary. The Department of Commerce in collaboration with interested agencies should conduct such a review.

c. Technical data.

The Department of Commerce should continue its present studies and develop appropriate recommendations with respect to improved export control over important technical data in peacetime. In collaboration with other agencies it should take the lead in developing recommendations for NSRB consideration regarding wartime control over the export of technical data.

d. Enforcement.

The Department of Commerce in collaboration with interested agencies should review the current enforcement situation with regard to the transshipment of strategic goods to the Soviet Orbit, including the possible need for a foreign enforcement staff. ✓

Likewise, the Department of Commerce should take the lead in developing plans, for NSRB consideration, in the field of export control enforcement and with regard to the wartime collaboration and coordination of intelligence and enforcement agencies such as Commerce, Customs, Central Intelligence Agency, Post Office and Justice.

e. The Department of Commerce should take the lead in developing and currently revising plans to expedite the issuance of export bulletins and regulations in the event of war.

f. Careful study by the Department of Commerce should be given the possibilities of simplifying current, and particularly wartime procedures for export licensing.\* Such a study is closely related to plans that should be made so far in advance as feasible to handle the greatly increased and complicated licensing workload that would occur with the beginning of hostilities.

g. Consultation with the U. K. and Canada and possibly other potential allies on over-all strategies of economic warfare including the potential use of export controls.

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\* It should be noted in this regard that the interagency study group recommended a review of the desirability of preparing a standard commodity classification for use by all agencies, including arrangements for convertibility to other major classifications.

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2. Wartime Measures.

a. Issuance of regulations by the agency currently charged with export control (in collaboration with other agencies concerned) pending longer-term wartime arrangements. Such regulations would:

- (i) Embargo all exports to enemy nations and cancel outstanding licenses for such destinations.
- (ii) Cancel or suspend outstanding licenses for selected commodities and destinations, previously determined so far as feasible.
- (iii) Initially apply general licensing procedure across the board except for the most important areas and commodities, which would be made subject to individual licensing. Thereafter, selectively and progressively expand individual licensing control as circumstances warrant.

b. The agency with primary responsibility for export controls should, in collaboration with other interested agencies:

- (i) Develop plans for the disposition of impounded cargoes destined at the outbreak of war for enemy or other unfriendly destinations.
- (ii) Expedite the coordination of export control activities with related economic warfare programs and make its application consistent with shipping controls, allocations, export priorities, blacklisting, and other regulations of U. S. and allied programs.
- (iii) Expand and strengthen enforcement procedures. (See readiness measure on "enforcement", 1-d above.)
- (iv) Continue and extend consultation with industry advisory boards, particularly with regard to immediate trade problems arising out of the impact of war and how best to utilize in wartime the private exporters and their trade associations.

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NB: Administrative responsibility for export controls, both in the initial stages of war or declared emergency and in later stages, is discussed in a subsequent memorandum on administrative arrangements for foreign economic measures.

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**EXECUTIVE OFFICE OF THE PRESIDENT  
NATIONAL SECURITY RESOURCES BOARD  
Board Secretariat**

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**COMMENTS:** This monograph was prepared by the NSRB staff on the basis of a report by an interagency study group and subsequent interagency consultations.

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**MOBILIZATION PLANNING  
FOREIGN ECONOMIC MEASURES**

**Import Control**

**National Security Resources Board**

**August 1, 1949**

**(FE-5a)**

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This is one of a series of memoranda being developed under the leadership of the National Security Resources Board in the interests of effective and coordinated mobilization planning for foreign economic measures to be undertaken in the event of a relatively early outbreak of war or declared emergency.

In the preparation of this memorandum on Import Control, NSRB has relied in part on a recent report to the NSRB by an interagency study group\* and on subsequent interagency consultation.

This paper now constitutes a general guide to all Executive agencies in their participation in mobilization planning. It is planned to revise the memorandum from time to time as new developments, changes in basic assumptions, further information, and the extension of planning to longer-range coverage make this desirable.

\* Interagency Mobilization Planning Study on Import Control, March 31, 1949; 66 pp. and appendices; ~~SECRET~~. The report will be helpful to those interested in points of variance with this memorandum, a more detailed discussion of import control, and World War II operations and experience.

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IMPORT CONTROL

- I. Definition and Purposes.
- II. Significance of Import Control in a War Economy.
- III. Prerequisites to Effective Import Controls.
- IV. Evaluation of Potential Use in the Event of War with Soviet Russia.
- V. Recommendations -
  - 1. Readiness Measures.
  - 2. Wartime Measures.

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## IMPORT CONTROL

### I. Definition and Purposes

The term "Import Control" as used in this memorandum denotes regulatory procedures affecting the movement of goods, by land, sea and air, from other countries to the United States whereby their flow may be adjusted to special national objectives.

Import control is usually a companion tool of other controls in time of war, and serves primarily to facilitate the importation and domestic distribution of critical material required in production. Stripped of its close association with other controls, its own primary purpose becomes of narrow but strategic importance. This memorandum deals with import control in this sense of a distinct element in foreign economic operations, particularly in time of war. But its full wartime significance can best be gauged in the added light of other memoranda of this series on subjects such as Foreign Procurement and Development, Export Control, Foreign Economic Assistance, Preclusive Buying, and Proclaimed Listing. Moreover, in time of war import control has important implications on the "home front" of the war economy including such problems as adequate civilian supply, price control, rationing, and manpower.

In peacetime, nations resort to import controls for a variety of reasons - to conserve foreign exchange, to secure a segment of a commodity in short world supply, to protect against "dumping", to wage economic or political "cold warfare", to protect infant industries, to facilitate state trading enterprises, to protect health, to control the drug traffic, to prevent the spread of plant and animal diseases, and the like. The nature and extent of import controls imposed in peacetime need to be kept within the framework of national and international undertakings, such as the Reciprocal Trade Agreements Act, the Charter of the International Trade Organization, and the allocations of the International Tin Committee and the International Emergency Food Committee. Accordingly, the use of import control in time of peace or "cold war" would appear to have limited usefulness and practicability.

In wartime, import controls are only one part of the general network of controls to which a nation must resort if essential things are to come first. They become channelling devices for objectives as varied as conserving transportation space, facilitating domestic controls on scarce materials; procuring strategic and critical materials for stockpile, for war production, and for essential civilian consumption; supporting the economies of certain areas; furthering economic warfare; implementing state trading operations and preserving private trade facilities - distinct objectives all, yet vitally and logically related in the common purpose of:

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1. Enhancing the basic supply and utilization of essential war materials for production in the U. S.
2. Furthering the objectives of wartime foreign economic operations, including:
  - a. foreign procurement and development;
  - b. foreign economic assistance and other means of strengthening the allied war potential and the stability of certain neutrals; and
  - c. measures to deny resources to the enemy or unfriendly neutrals.

In wartime, the two chief elements of import control normally are an import shipping priorities system and an imports license system permitting the entry of goods both privately and publicly procured. These in turn are dependent on transport controls, including a ship warrants system.

In both their policy and administrative aspects, import controls are determined mainly by commodity, geography, transport, and general economic considerations.

## II. Significance of Import Control in a War Economy

The significance of import control for production purposes bears a direct ratio to a nation's dependency on foreign sources of supply, means of payment, and the transportation which it can command. In an island economy such as that of the United Kingdom, import controls are predominant controls. In a relatively self-sufficient economy like that of the USSR, they would be relatively minor. In an economy like that of the United States, self-sufficient in much but significantly dependent on a relatively small but important increment of raw materials from abroad, the role of import controls falls between these two extremes.

Import controls must be flexible because they are related in an elaborate and complex way with other wartime controls, both foreign and domestic, and because they have direct functions of their own to perform, such as the conservation of available shipping for essential goods. Thus they must be able to encompass the unanticipated results of new development projects; of interallied market allocations; of competitive and cooperative interallied procurement; of loss of areas; of alternative geographic sources; of water, rail and air transport, of various foreign policies; and other lightening changes which are part of war. They must be adequate to minimize the effect of aircraft and shipping losses, slow turn-arounds in shipping, port congestions, and other damaging circumstances. Import controls can serve as a device to put commodities in channels of domestic distribution controls. They must be relatively able to carry their priorities all the way - that is, from mine to warehouse or to production-consumption centers.

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### III. Prerequisites to Effective Import Controls

#### Integrated Domestic Production and Supply Planning.

As indicated previously, import control is not an end in itself, but, in its most important use, a tool of war production and supply planning. In this respect it is somewhat similar to foreign procurement, transport, price, distribution, and export controls; all of which support production and supply objectives and must be tied in directly to the common production and supply goals.

It is, thus, a prerequisite to effective import control that its controlling policies emanate at a high level from one point where production and supply planning are integrated and where the part each of the auxiliary controls shall play is determined at least in broad terms. What this point of over-all integration should be is beyond the scope of this series of memoranda, and constitutes one of the major wartime organization problems spanning both the domestic and foreign fields.

#### Interallied Planning.

U.S. production and supply planning in turn must be geared to interallied planning in such fields as raw materials, food, shipping and production. While the subject of the interallied framework for economic cooperation is dealt with in a later memorandum of this series, it should be noted here that the principal production and supply agency in the U.S. should have a major, though not necessarily exclusive, role on the U.S. side of interallied supply organizations.

Therefore, with regard to import controls, the controlling policies in the interallied field should emanate from the same point of integration as those for domestic production and supply planning.

#### Tie-in with Economic Warfare.

Although import controls are primarily a tool of wartime production they have ancillary uses for purposes of economic warfare. Adequate administrative provisions are therefore necessary to assure that these secondary but closely related functions are considered in the determination of import policies.

#### Principal Operational Procedures.

Import controls ordinarily require several basic types of operational procedures. No one of these procedures is adequate in itself. The two most essential elements in the event of scarce supplies or transport are:

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1. An import shipping priorities and quota system.
2. An individual license system to:
  - a. implement import priorities and quotas and domestic priorities and allocations;
  - b. implement interallied allocations;
  - c. support economic warfare measures; and
  - d. provide equitable treatment for private import trade.

In addition, the effectiveness of import controls is dependent to a high degree on transport controls.

Complete in Range from the Beginning.

Import controls can be applied selectively by commodities and areas, and a considerable degree of flexibility should be maintained in such coverage. In the case of many commodities, however, the controls should be complete in their range from source to point of consumption, and effective from the beginning of import control operations. (To illustrate such flexibility: In World War II the basic import control order applied to only 13 minerals and metals at the beginning of the war; it controlled 882 commodities at the peak of the war effort.)

Thus, ordinarily it is advisable to arrange immediately not only for annual quotas to be imported on a preferential basis, but also for quarterly and monthly quotas on a tightly scheduled operation; to arrange immediately for accurate reports on cargo availability at mine, dockside, and airfield; on vessel and plane arrivals, on amounts lifted, on losses enroute to prepare at once for "shipping space certificates" to move special "spot shipments" within the priorities lists; to arrange that from the start the import priority carries through from minehead to ultimate center of production.

Moreover, to the maximum extent feasible other wartime controls on production, distribution and export should be applied simultaneously with import controls. (Otherwise, for example, the import of tapioca for pudding may be displaced for tin, only to have such tin used for toys or for nonessential exports.)

For operating reasons it may be advisable to establish, as early as feasible, a nominal control over all imports, but applying the actual controls to specific commodities on a selective basis as the need arises.

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Positive and Negative Aspects of Controls.

To be most effective, import control lists should be specific as to the commodities desired to be brought into the country, and equally specific as to commodities from certain areas to be kept out. The latter case in particular may involve delicate issues of foreign policy as well as heavy pressures from business interests. The possibility of embargoes can be a strong force to influence neutral, and if necessary allied, economies to concentrate on essential war production.

Simplicity and Selectivity in the Top Brackets.

The shipping priorities import control system should be simple and highly selective in its top preferences. This objective is difficult to reach and difficult to maintain against pressures from specific industries; from war production, foreign assistance and other war agencies with special programs; and from shipping agents seeking more profitable pay loads. Yielding to pressures to put more and more items into the top priority brackets, either directly or through the device of multiple subdivisions, can only serve to cheapen and weaken the value of the priorities themselves.

Operating Flexibility.

The foregoing should not be construed as indicating that tight scheduling on a straight priorities basis is always feasible or desirable. In shipping, for instance, some boats are equipped for specialized cargoes and have limited uses in other trades. Some runs must provide for a share of low U.S. priority cargoes to sustain insular economies on the route and some compensating device when full cargoes cannot be provided. Again, the use of foreign-owned shipping sometimes presents the need for compromise. Some difficult, unpleasant or "lowpay" cargoes may have to be "sweetened" with lower priority goods if the full cooperation of shipping companies is secured. Finally, specific foreign policy and economic warfare objectives may in a few cases outweigh in importance the straight production objectives and require special adjustments.

In view of the above and the fact that war controls are relative rather than absolute concepts, it appears clear that import and transport controls should be conducted on a partnership basis, if the maximum efficiency is to be attained in providing the optimum use of transport equipment - outbound, to meet the exacting delivery schedule of military operations overseas; and inbound, to meet the urgent delivery schedule at domestic production centers for essential materials from overseas sources.

Equitableness for Private Trade.

Another prerequisite for effective application of import controls is that of equitable treatment for private trade and traders. Without their support and close cooperation, effective controls would be difficult. In

broad application, privately procured goods of equal strategic importance must get a "fair break" on transportation compared with Government procured goods. In addition, such controls should, insofar as it is feasible, fall equitably across the board within the industry group affected.

Licenses, thus, should not be issued at random or on the basis of "first-come, first-served", or to a favored few. This implies the most carefully worked out relationship between the import trade and Government before the effective date of the control orders, particularly in establishing the criteria for distributing the licenses equitably. Among the elements to be considered are historical position within the trade, price, availability of material, ability to perform, and justification of the applicant's need for the imported commodity.

#### Adequate Statistical Information.

An effective import control list must depend upon extensive and reasonably accurate statistical information. Required, for example, is the development of current statistical information on cargoes available for lifting in foreign ports, statistical forecasts of transport available in given places in given time periods, and a quarterly and annual accounting system to be sure that quotas and priorities have been faithfully executed. This is exceedingly important because of the number of factors that must be taken into consideration in allocating vessels and planes to cargoes - the distance involved, the degree of port congestion, the turn-around time, the nature of the cargo, the alternative employment of the ship and plane, the necessity for making a voyage and flight profitable - all of which tend to negate the execution of the priorities list rather than to enforce it.

#### IV. Evaluation of Potential Use in the Event of War with Soviet Russia

As the United States advances its own technology and production, and as it underwrites foreign economic assistance programs and military aid programs along with the development of its own military preparedness program, it becomes more and more clear that one of the basic problems facing this nation is a raw materials problem - raw materials which are not found within our own borders nor likely to be compensated through substitutions. Whether the U.S. is in peace, "cold war" or armed warfare, the present stage of industrialization depends on the supply of at least certain raw materials from areas such as Africa, India, Latin America, and Southeast Asia.

To some degree the role of import control in the event of war will depend on the degree of preparedness achieved before the outbreak with respect to essential wartime materials. Involved are the size of public and industrial stockpiles, the development of domestic sources, including substitutes, and foreign development, particularly in the less remote and

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less vulnerable areas. Other factors which will influence the role of import control are the size, character and duration of the conflict, transport resources and transport losses and the line-up of nations on the two sides.

Even under reasonably optimistic strategic assumptions and well-laid plans for material preparedness, it still is clear that a war with Soviet Russia and satellites would quickly create critical shortages for U.S. production of some essential war materials, for which sizeable foreign procurement would be imperative. Planning, therefore, should anticipate a substantial foreign procurement program upon the outbreak of hostilities and should provide an action program for coping with the situation. Import control would be one of the early measures to be applied to facilitate the importation and suitable domestic distribution of those materials most urgently required in U.S. production.

Import controls are also important in providing guidance for the deployment of transport. For instance, overseas warfare which pre-empts shipping to fit an outbound delivery pattern as its primary purpose would result in a distribution of shipping at foreign destinations badly adapted for import transportation needs. More is involved than urgency of time under military imperatives. Often the logistics fixes transport in horizontal crossings, while inbound supply requires diagonal or vertical crossings. The disparity between transport equipment availabilities and requirements thus becomes more acute. To some degree such an unbalance may be inevitable, representing a calculated waste of shipping. Probably the best to be expected is that by skillful designation of return routes supported by import priorities and controls such waste can be minimized.

There would also be additional needs for an import program such as complementing the controls of our allies and particularly those of Canada and Mexico, producing a maximum contribution to the war effort from neutral economies, assisting the removal of strategic materials procured by the U.S. and located in areas which may fall into the hands of the enemy, implementing interallied allocations, and supporting various economic warfare measures.

#### V. Recommendations

##### Readiness Measures.

As mentioned previously, the complexity and severity of import controls in the event of war will depend to an important degree on our material preparedness for such an emergency - the adequacy of our public and industrial stockpiles, the stage of development of our domestic production of essential materials and practical substitutes, and the degree of development of foreign sources of supply, particularly in the closer, less vulnerable areas.

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Similarly the speed with which import controls can be applied will depend upon the extent of our mobilization planning in the requirements-supply field. Current work on the revision of stockpile estimates, "flash estimates" of wartime supply and requirements in selected fields, and broader studies of other material needs and supplies in the event of war will make clearer the probable supply position and thus expedite the imposition of selected import controls at the outbreak of war and the development of the essential commodity policies and plans which are a major prerequisite for any effective import control.

Other measures which will contribute to readiness for import controls follow:

1. The Department of Commerce, with the assistance of other agencies concerned, should study and report to the NSRB on recommended means of expediting the formulation and issuance of forms, regulations and procedures in the event of war, the development of operational and enforcement techniques and means of securing maximum simplicity in import control devices.
2. The Department of Commerce, with the assistance of other agencies concerned, should undertake for the NSRB a study of means to secure in wartime the utilization of private importers and their trade associations on a completely cooperative basis. The objectives of such a study would include recommendations in regard to effective means of keeping the trade informed and of securing its advice and help on a continuing basis, maximum use of present trade practices where practical in wartime, and minimum interference with private trade consistent with achieving wartime objectives.
3. Probable early conversations on mobilization planning with one or more of our potential allies should include general consideration of import controls.

#### Wartime Measures.

1. Interim Emergency Measures.

- a. Legislation should be enacted at the outbreak of war authorizing broad controls over imports into the United States. (These powers are provided for in the current NSRB draft of an Emergency Powers Act.)

- b. In line with prewar mobilization planning in the field of essential war materials, the following steps should be taken as quickly as possible following the outbreak of hostilities:

- (i) the import trade should be informed of developments;

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- (ii) import controls should be applied in the most urgent fields in a selective manner, issuing licenses, priority lists and arranging for space certificates; and
- (iii) the field of import control should be expanded as extensively as necessary and as rapidly as the development of wartime organization and measures permits.

2. Longer-Term Measures.

At the outset of this section, it should be recognized that much of the planning of import control measures is part and parcel of the planning for the war production controls of the U.S. in wartime. Until current mobilization planning in the broader field has progressed to a firmer stage, recommendations as to import control alone must necessarily be tentative and generalized. The following measures, however, would seem advisable as longer-term wartime arrangements:

a. Administrative organization should assure a point of integration in U.S. production and supply planning for the various production and supply controls including import control.

b. U.S. production and supply planning (including import control) must be geared to interallied supply planning with the point of integration mentioned above having a major, though not exclusive, role on the U.S. side.

c. Wartime organization planning should provide the mechanisms necessary to assure a voice in import policy determination for the principal agency or agencies dealing with related economic operations. (A later monograph of this series covers administrative arrangements for foreign economic operations.)

d. Longer-range import controls should provide for:

- (i) the improvement of the originally established systems for shipping priorities, quotas and individual licenses;
- (ii) application of controls on specific imported commodities on as complete a scale as feasible, including production, transportation and distribution;

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- (iii) further development of essentiality of commodities from foreign sources, with due allowance for the use of substitutes;
- (iv) maintenance of simplicity and selectivity in the top priority brackets; and
- (v) maintenance of a maximum operating flexibility.

e. The development, coordination, and use of statistical systems essential to efficient import control operation.

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